



DEFENSE ENERGY SUPPORT CENTER

DESC- Iraq

Mission Brief



IN THE BEGINNING...



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- After the war the Coalition restored basic services to the Iraqi populace
- The Corps of Engineers was tasked to import refined petroleum products for distribution throughout Iraq
 - KBR received the contract to perform the mission
 - Import mission anticipated to be short duration
- Fall '03
 - Huge increase in internal consumption
 - Sabotage of petroleum infrastructure increases



DESC INVOLVEMENT



- Congressmen Question KBR's Purchasing/Profits
 - Congressmen Waxman & Dingell Scrutinize Halliburton Contract
 - \$2.65 Per Gallon for Benzene from Kuwait
 - DESC Team to Baghdad Fact Finding Mission
- 24 Dec 03, DESC Is Tasked By Mr. Wynne, Acting Under Secretary Of Defense, To Assume RIO Mission
- 12 Jan 04 DESC Deploys 5 Member Team To Iraq To Manage DoD Tasking & Prepare for New Contracts



MISSION STATEMENT



The Defense Energy Support Center will assist the Iraqi Ministry of Oil in the nation's importation of diesel, gasoline, kerosene and liquefied petroleum gas to meet the civilian requirements.





RESPONSIBILITIES

- Manage the Supply Chain
- Sourcing and Procurement
- Distribution
- Quality
- Contract Administration

Army Convoy



Kuwait Refinery





CHALLENGES



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- Security
 - Force Protection
- Bureaucracy
 - 4 Governments
- Sabotage
 - Pipelines, Crude And Refined
 - LOC Interruptions



HARBUR GATE

Border Crossing



INTERDICTIONS



03/19/2004



SCOPE OF MISSION

- 7000+ Tank Trucks Delivering Fuel From TU/KU/JO
 - Kerosene 6.2 Million Liters Per Day
 - Benzene 6 Million Liters Per Day
 - Liquid Petroleum Gas 2,600 Metric Tons Per Day
 - Diesel 4 Million Liters Per Day
- Several Distribution Locations in Iraq
- In Comparison...Operation "Red Ball Express"
 - 24 August 1944 Allied Forces Used 1.8 Million USG Per Day--Today's Delivery Requirement Into Iraq ~ 4+ Million Gallons Per Day



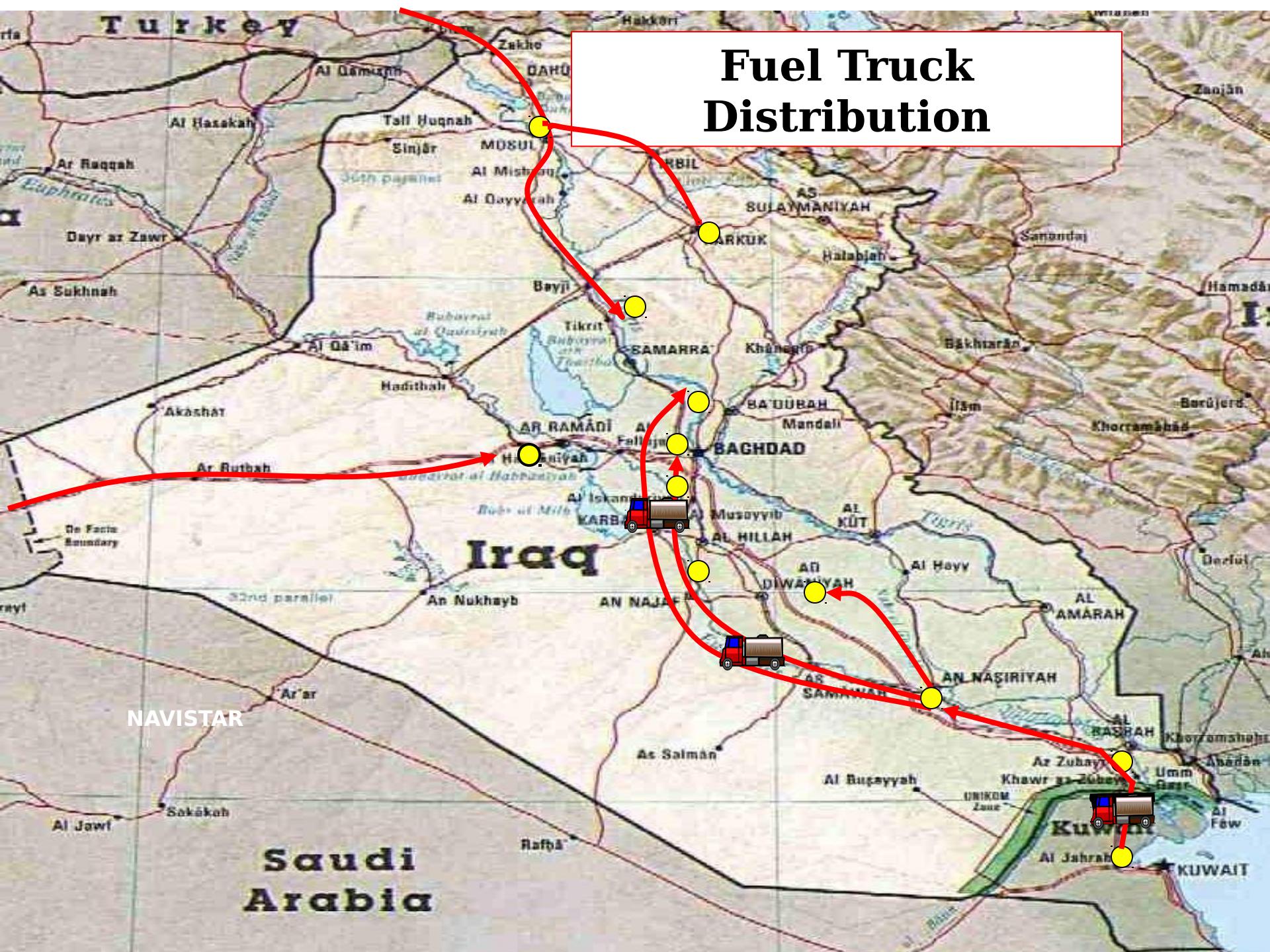
CONTRACTS



DESC contracts in place 1 Apr 04

- Turkey
 - Freight on Board (FOB) destination
- Kuwait
 - FOB origin – product only
 - Separate Transportation Contracts
- Jordan contracts
- Management & Oversight
 - Labor and Materiels

Fuel Truck Distribution





TIMELINE

- 23 Dec Received Mission
- 12 Jan DESC-Iraq Team 1 in Baghdad
- Mid Mar Augmentation to Kuwait and Turkey
- 1 Apr Contracts Begin
 - Assume Mission from KBR
- 10 Apr DESC-Iraq Team 2
- 2 June Exercise First Option on Contracts
- 28 June CPA Dissolves
- Late July DESC-Iraq Team 3
- 30 Sep Mission Complete



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DESC-IRAQ TEAM I

Jan 4, 2004 - Apr 28, 2004

**THE FOUR-STEP METHOD
of the
IRAQ HUMANITARIAN ASSISTANCE
FUEL MISSION**



OVERVIEW



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- The DESC Challenge
- **Step One** - Meet stakeholders
- **Step Two** - Define Requirement(s)
- **Step Three** - Obtain funds
- **Step Four** - Execute Contracts
- Overlapping Coverage of the Baghdad Fuel Ring



THE DESC CHALLENGE



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- How does DESC provide fuel to a civilian populace with supply chain constraints such as:
 - 1) Daily pipeline sabotage
 - 2) Convoy attacks and kidnappings
 - 3) Improvised explosive devices on supply routes
 - 4) Limited fuel depot capabilities
 - 5) Constrained refinery production facilities
 - 6) Significant black market activity
- How does the Agency take on this mission with significant media and political scrutiny over the existing supplier relationships?
- Law of Finite Supply and Exponential Demand
- 4-Step Method of DESC-Iraq Mission Establishment





STEP ONE

Establish Relationship with Stakeholders



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- Recognize and assist with the limitations of State Oil Marketing Organization (SOMO)
 - Export arm of crude oil
 - Limited import knowledge of refined products
 - Expertise in barge operations
- Work with Iraqi Oil Sector entities
 - Autonomous units separately reporting
 - Automation challenges
 - Challenge with real-time reporting of information key to decisions
- Met and worked with Coalition Provisional Authority (CPA)
 - AMB Bremer's - Goal of 15 days of supply on-hand
 - Political interface with CPA-Oil critical to success
- Worked with CJTF-7 and Gulf Regional Division
 - Military interface needed for safety and security of convoys
 - Desire to bring massive amounts of fuel products within country





STEP TWO

Requirement Validation in the Puzzle Palace



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- How much and what kind of fuel product?
- Who knows the answers?
- Who pays for the fuel?
- Who is the defined end-use customer?
- Interplay between Iraqi Ministries of Oil and Electricity and Finance
- CPA-Oil & CPA-Electricity Struggle
- Leveraging lessons learned
 - KBR
 - US Army Corps of Engineers





STEP THREE

Securing a Reimbursement Mechanism



- Funding Derivation
 - Developmental Funds for Iraq (DFI) - \$645M
 - FY04 Supplemental Funds - Congress - \$496M
- How does DESC get paid from the:
 - Coalition Provisional Authority
 - Program Management Office
- Each payment mechanism was different based on funding source
- Transfer of sovereignty
 - Minister of Finance & Oil





STEP FOUR

Establish and Execute Contractual Instruments

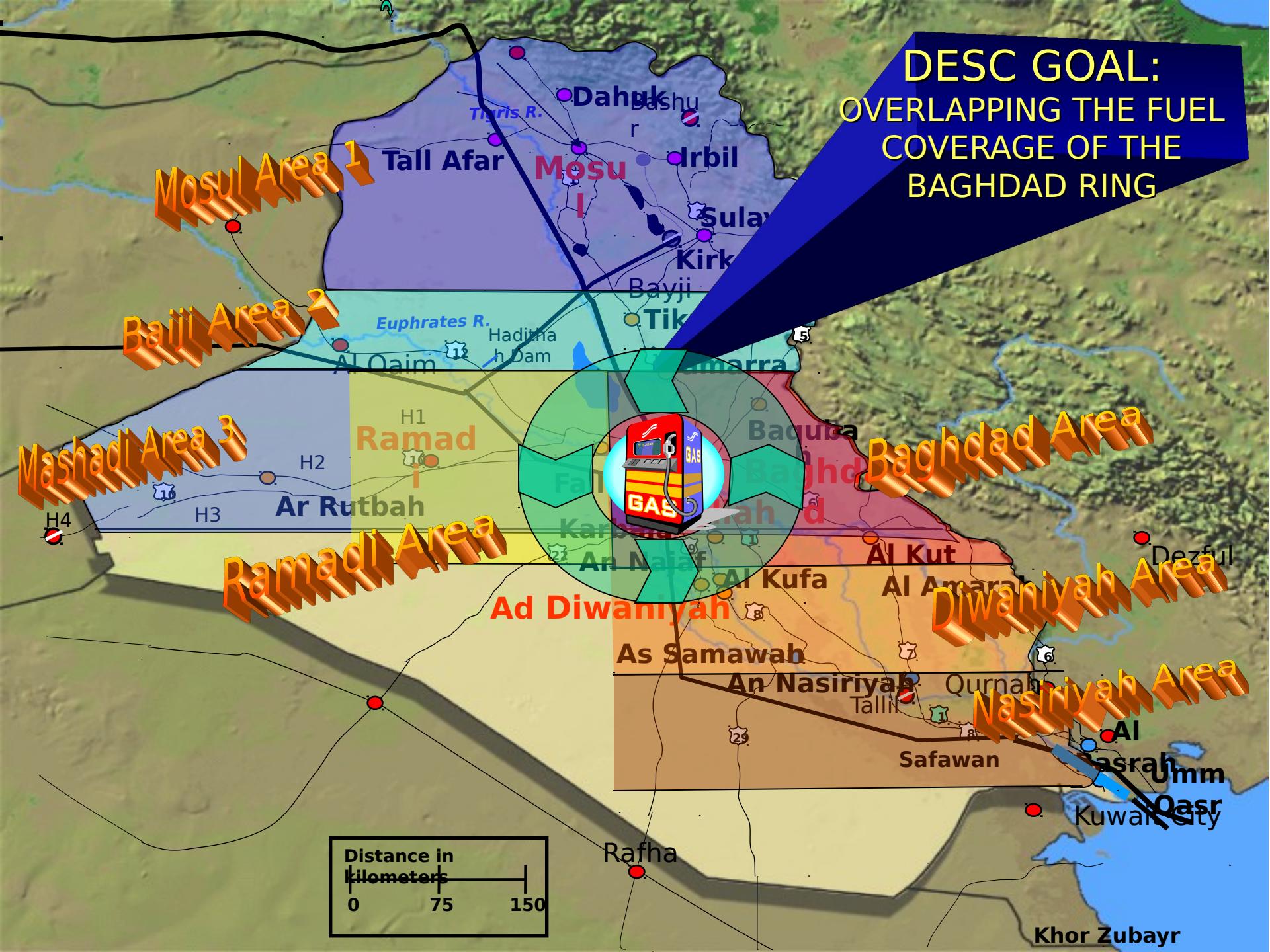


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- DESC leveraged existing supplier relationships
- DESC-Iraq participated in preaward surveys
- DESC-Iraq participated in evaluations for the management and oversight contract
- DESC-Iraq assimilated all real-time information to provide to TFRIQ team
- All contracts awarded on time (1 Apr 2004 start)
- **Underlying** **Logistics** **Contract** **Supply** **Routes** **of** **Bag**



DESC GOAL:
OVERLAPPING THE FUEL
COVERAGE OF THE
BAGHDAD RING





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DESC-IRAQ TEAM II

Apr 2, 2004 - Jul 31, 2004

**EXECUTION AND TRANSITION
of the
IRAQ HUMANITARIAN ASSISTANCE
FUEL MISSION**



OVERVIEW



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- Targeting Ambassador Bremer's Goal
- Execution Challenges
 - M & O Contractor
 - Enemy Attacks
 - Baghdad Benzene
- "Out-Of-Box" Solutions
- Transition Plan...Partnering and Buy-in

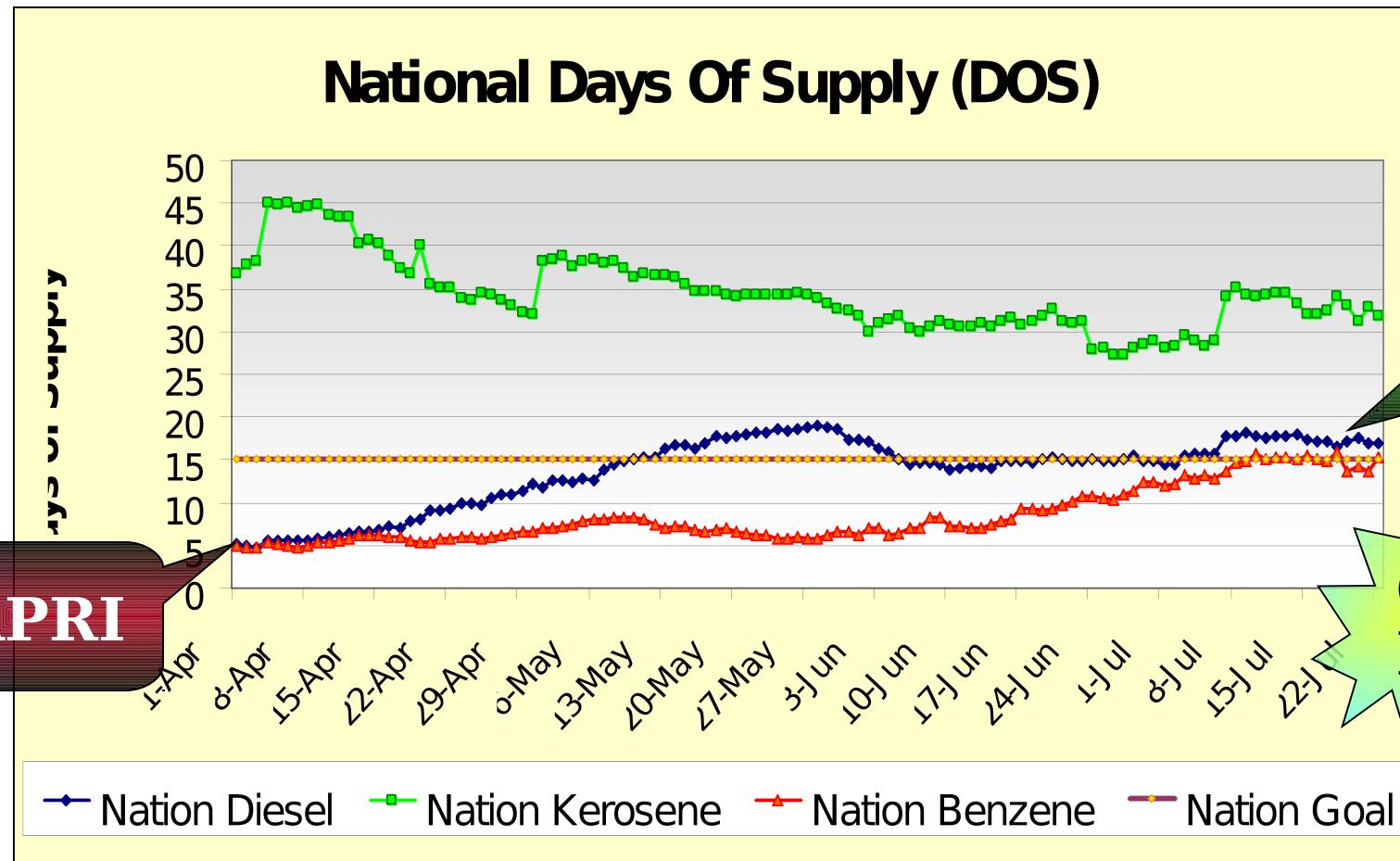




AMB BREMER'S GOAL

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➤ 15 Days of Supply for All Products



DESC TURKEY

5 ML/day

Benzene

4 ML/day Diesel

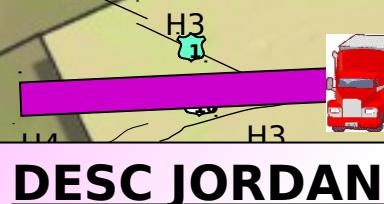
1200 MT/day

LPG



THE INITIAL DAYS...

Diesel Line
Converted
to Benzene



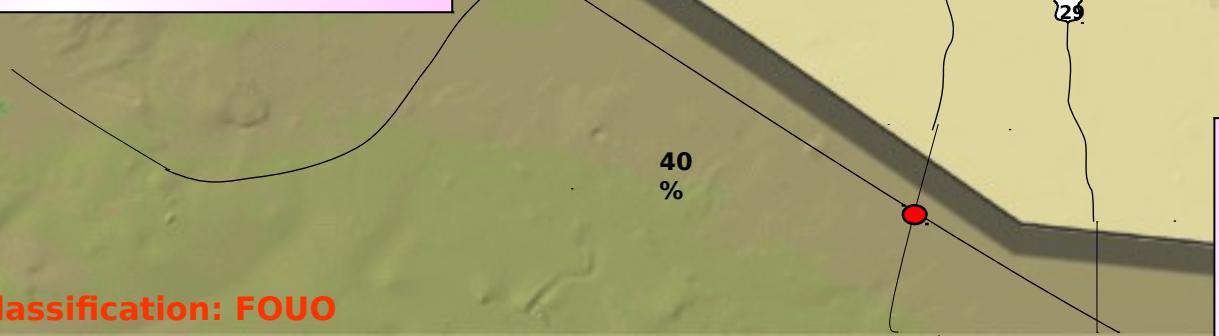
DESC JORDAN

1 ML/day

Benzene

1.5 ML/day

Diesel



SOMO BASRAH

1 ML/day

Benzene

1.5 ML/day

Diesel

DESC KUWAIT

2 ML/day

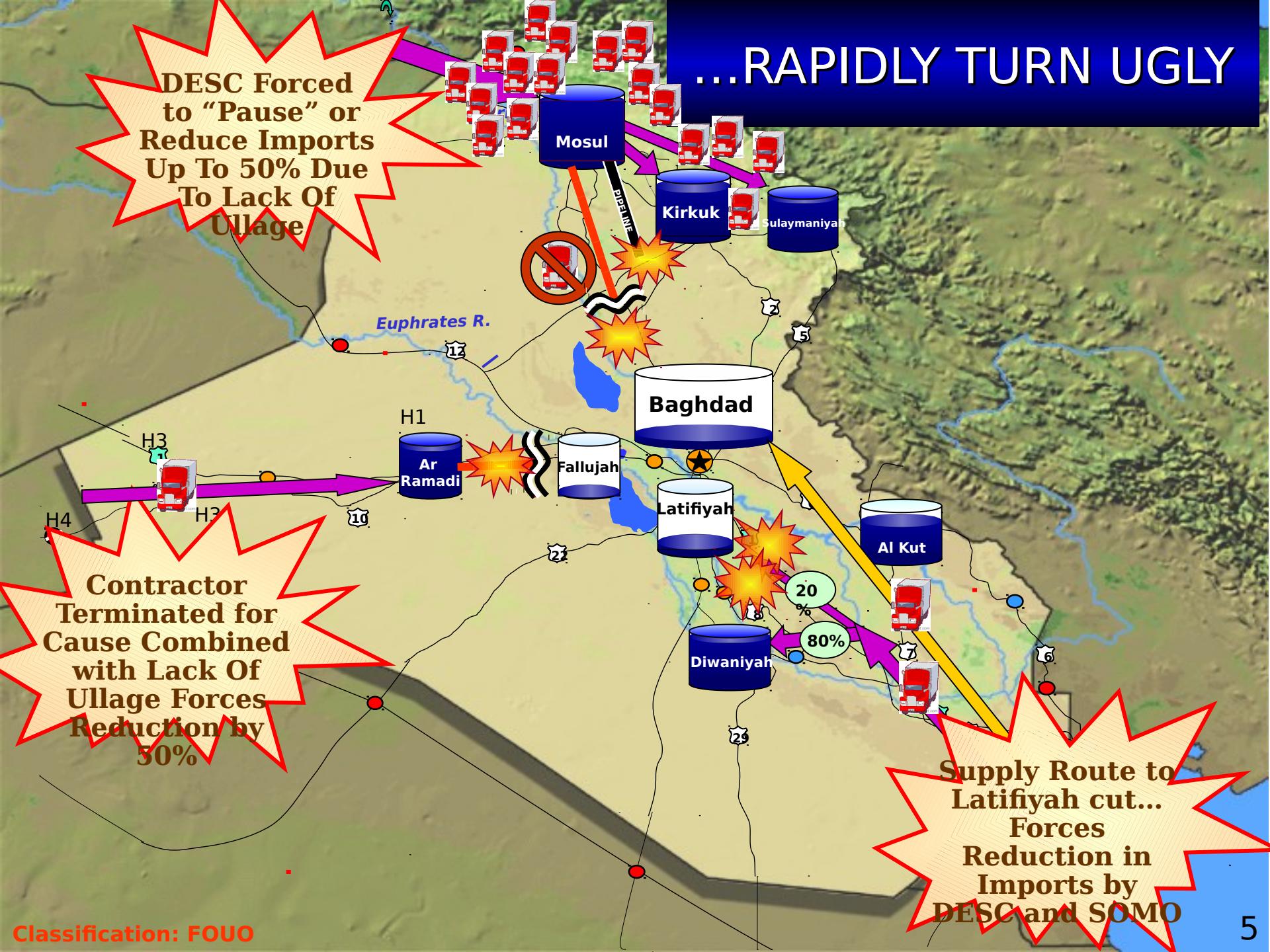
Benzene

...RAPIDLY TURN UGLY

DESC Forced to "Pause" or Reduce Imports Up To 50% Due To Lack Of Ullage

Contractor Terminated for Cause Combined with Lack Of Ullage Forces Reduction by 50%

Supply Route to Latifiyah cut... Forces Reduction in Imports by DESC and SOMO





EXECUTION CHALLENGES

- No QA Program by the M&O Contractor
- Attacks Choking Baghdad... DOS < 2 Days
- Crude Lines Sabotaged
- Lack of Ullage Imports Reduced

IMMEDIATE ACTION REQUIRED!

- Trucks to Baghdad...Crude to Refineries
- Alternatives to Increase Benzene to Baghdad
- Implement Product Integrity (OA)

THE SOLUTIONS...

1
Truck Swap -
Turkish to
Iraqi via
Holding Tank



2
Establish
Baghdad
Comfort
Stations for
Turkish Drivers



3
Work with
CPA Ops to
Increase
Pipeline
Security



4
5
Implement a
Strict QA
Program



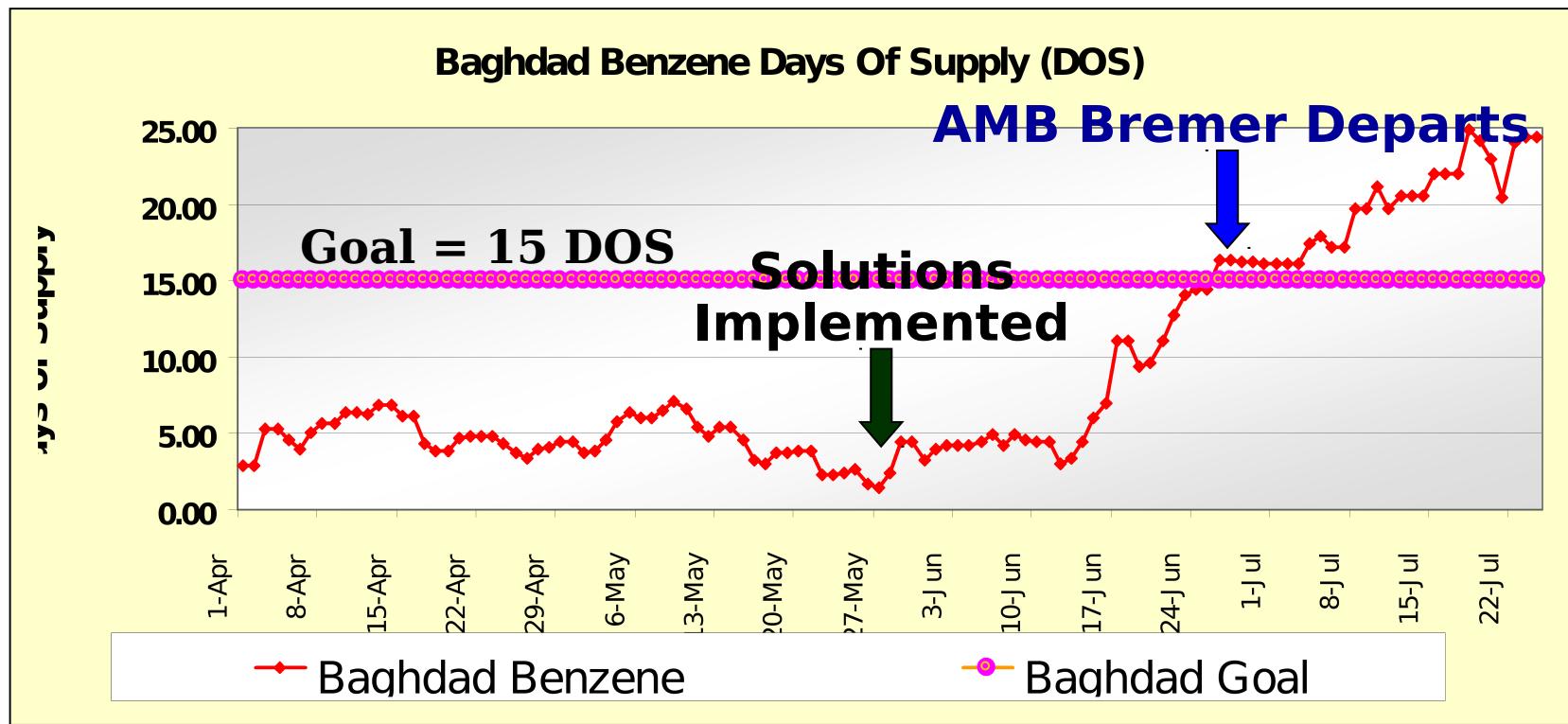
6
Convert Propane
Terminal to
Benzene





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- 15 Days in Baghdad Achieved as AMB Bremer Departs Iraq and New Government Stands Up





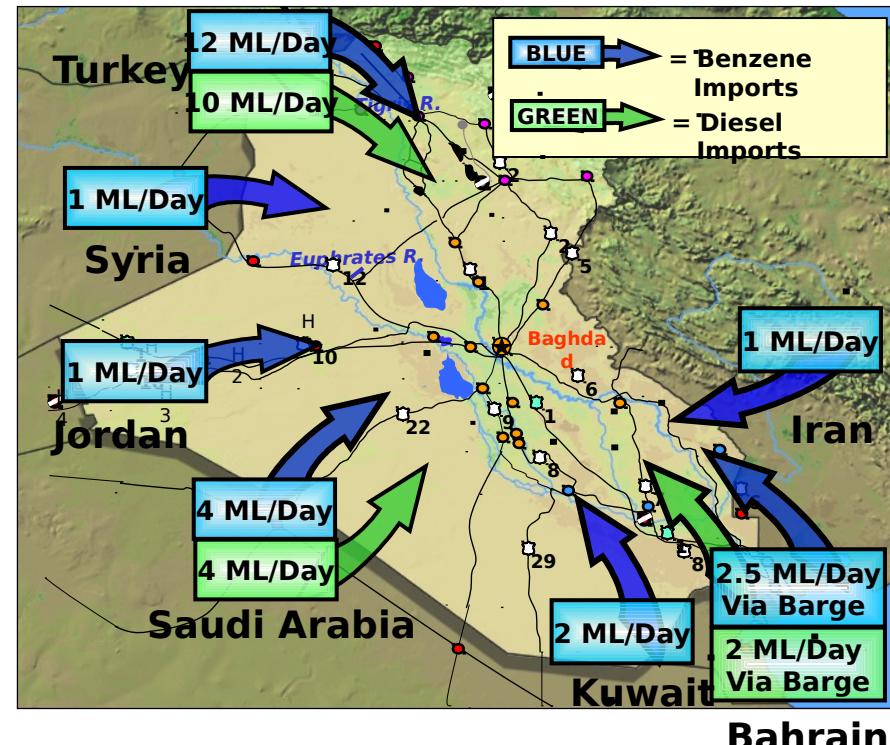
TRANSITION TO SOMO



*SOMO's plan
robust...*

Import Targets in ML/Day	JUN	JUL	AU G
SOMO Benzene	7.5	23.5	23.5
SOMO Diesel	4.8	16	16

*... meets national
demand even with
refineries at reduced
production (40%)*



**SETS UP FOR A DESC DEPARTURE NLT SEP
04**



TRANSITION SUCCESSFUL



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- Matched DESC “*Drawdown to Zero*” Date to Est. Liquidation Date for Assigned DFI Funds (\$645M)
 - Daily Burn Rate (<\$5M) Exhausted DFI by 15 Aug 04
 - SOMO + Refinery Output Continues to Meet National Demand
- DESC-Iraq Now in Oversight Role
- Contract Flexibility (Turkey) Can Provide Fall-Back
- DESC-Iraq Redeploying
- Oversight to Continue Post-Sep with Other DESC Resources Within the AOR



DESC DELIVERS!



DEFENSE ENERGY SUPPORT CENTER

- Fully Met Mission As Assigned By OSD
- 480 Million Gallons Delivered To The Iraqi People...5 Times The Volume Of The Famed WWII "Red Ball Express"
- Provided The "Buffer" Until The Iraqi Government Became Self-sufficient
- DESC A Proven Combatant Asset!





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QUESTIONS?